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SUBJECT: FAYYAD ON TARQUMIYA INDUSTRIAL PARK

REF: TEL AVIV 783

Classified By: Consul General Jake Walles for reasons 1.4 (b) and (d).

11. (C) PM Fayyad's views on the Tarqumiya Industrial Park, as expressed in several conversations with the Consul General and LTG Fraser, differ from those reported reftel. Fayyad told the Consul General and LTG Fraser on March 29 that he "does not care" whether the proposed Turkish industrial park near Tarqumiya is located on land in Area A, B or C. Fayyad told the Consul General that he made that point clearly to MOD Barak when they met March 26, and said that he is focused on finding a practical solution so long as it does not require an expanded Israeli security presence in the West Bank.

12. (C) Fayyad told LTG Fraser and the Consul General that the site "has to touch the Green Line". By its nature, he explained, an industrial park designed to take advantage of expedited access across the Green Line into Israel will require an expanded Israeli security presence. "As a matter of principle," Fayyad said, he would not accept an arrangement that gives Israel additional security responsibilities inside the West Bank, except if immediately at the Green Line. If the industrial park is not going to benefit from this sort of regime, Fayyad said, then the park should be located in Hebron or another West Bank city, where the factories can be closer to the pool of workers (and the associated infrastructure upgrades would benefit a broader pool of Palestinians). The rationale behind a site in Tarqumiya has always been, he said, that its products would be able to transit easily into Israel.

13. (C) The fact that the GOI built the crossing point at Tarqumiya inside the West Bank, and not on the Green Line, lies behind Palestinian concerns. By agreeing to place an industrial park that is dependent on its proximity to the 'border' anywhere other than on the Green Line, Palestinians believe they would prejudice permanent status discussions on the eventual borders of a Palestinian state. Fayyad is clear, however, that this is "not an Area C issue." If the park could be located in a way that it was partially on Area B land, so long as it touched the Green Line, Fayyad would be comfortable with it.

14. (C) Fayyad told the Consul General on April 4 that MOD Barak had, as promised, presented him with a map of the GOI's proposed locations. Fayyad will share the map with Post, though he noted that none of the GOI's proposed sites touch the Green Line.

15. (C) Beyond the issue of location, Fayyad faces pressure from his own business community on the industrial park projects. A number of contacts have told us that these sort of industrial parks are no longer the preferred model for

Palestinian economic development. At least one senior Palestinian business contact said the parks reflect "a very 1990s mindset." (Note: To be fair, all three parks were actually first proposed by their respective patrons in the 1990s. End Note.) These concerns reflect the failure of the border industrial parks at Erez and Karni/Al Mintar, which did not generate significant export opportunities even before the GOI closed the adjacent crossings.

16. (C) Representatives of a major Palestinian business conglomerate have told us that they understand the Turkish sponsors do not want Palestinian partners -- and are seeking to establish solely Turkish-owned factories to take advantage of the Palestinian labor market and duty-free access to the U.S. and other markets. Some of this 'concern' is likely posturing for a role in the projects. However, major Palestinian construction and development interests are increasingly emphasizing housing and other "internal" projects that are focused on the Palestinian market and less dependent on GOI decisions on access and movement.
WALLES